

CIA/OER/S-07545-75 WASHINGTON POST STORY ON POSSIBLE \$4.00
PER BARREL JUN 75 TOP SECRET/SI 01 OF 01

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

CIA/DER/S-07545-75

6 June 1975

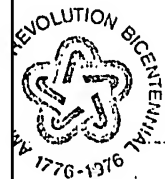
Washington Post Story on Possible
\$4.00 per Barrel Price Hike

1. The front page story in today's Washington Post that speculates on a \$4.00 per barrel OPEC price increase contains numerous inaccuracies and misinterpretations and is contradicted on several points by classified information. The story is not typical of the responsible treatment of oil issues usually given by Thomas O'Toole.

2. The genesis of the story lies in a statement by Mohammad Yeganeh, governor of Iran's central bank, and in an advertisement by the United States Representative of the National Iranian Oil Company. Although these sources reflect an Iranian propaganda campaign that has the approval of the Shah, they are not in themselves authoritative. Both announcements can be dropped, corrected, or repudiated at a later date without embarrassment to the Shah. Moreover, both of the Iranian statements are carefully worded so as to justify -- but not to predict or demand -- a substantial price increase on October 1. The Post article does not reflect the careful wording of the original statements.

3. We have several reasons to believe that the 1 October price hike will be substantially less than most figures mentioned in the press.

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° Yamani of Saudi Arabia has stated that there will be no "sharp" price hikes, and Prince Fahd has indicated that Saudi Arabia wants a "stable" price.

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° The Shah himself has stated that, although a 35% increase would be justified, the actual increase would be less.

° The Kuwaitis reportedly are beginning to doubt that a price rise this year would be in Kuwait's interest.

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4. Amouzegar -- one of the few authoritative Iranian spokesmen besides the Shah -- undoubtedly stated the truth of the matter when he said that the size of the price increase is as yet undetermined but will be between "zero and 35 percent." Our current estimate is that it will be at the lower end of this range. One plausible scenario is that OPEC will institute an increase of less than \$1.00 on 1 October, to be followed by a slightly larger increase early in 1976. If economic recovery in the OECD countries is rapid and this is reflected in demand for OPEC oil, the 1 October hike might be somewhat larger than our present estimate.

cc: The Honorable William Seidman
The Honorable Rogers Morton
The Honorable Frank Zarb
The Honorable Alan Greenspan

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Distribution: (S-07545)

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